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SUBJECT: BASRAH DEVELOPMENT COMMISSION PROMOTES INVESTMENT IN
SOUTHERN IRAQ

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11. (U) Summary: Since the establishment of the Basrah Development Commission (BDC) in October 2007, the British Government and the Basrah Provincial Council have been working closely on strategies to promote development and attract foreign investment in southern Iraq. The BDC has undoubtedly served as an excellent resource in helping local government officials and business leaders shape their development strategy for the province. However, supported by the UK-led Provincial Reconstruction Team (PRT), BDC initiatives have primarily targeted British and regional audiences. Since its inception, the BDC has sparingly reached out to potential American investors and, as the commission becomes more entrenched in Basrah's economic future, U.S. investors will find themselves at a distinct disadvantage absent a comparable U.S. foreign commercial presence. End Summary

12. (U) Established in October 2007, the Basrah Development Commission (BDC) is a joint UK-Iraqi initiative with two principal objectives: to assist local government in implementing a regional development strategy and to promote foreign investment. Since December 2007, the BDC has been supported by the British-led PRT; with a large staff funded by DFID's Coffey contractors. Its efforts to support economic development have been consistent with Provincial Council initiatives, including the council's Provincial Development Strategy. The USD 215 million strategy is the most comprehensive plan created and endorsed by the stakeholders who live in the province. It provides a broad picture of economic and social development conditions, and it outlines over 2000 projects covering seven provincial districts and 16 service sectors. As a uniquely local assessment, the BDC and the Provincial Council hope the strategy serves as the principal tool in developing a coordinated effort to revitalize the province's struggling economy. However, with 70 percent shortfall in funding, the Council realizes it must aggressively attract foreign investment.

13. (U) As Iraq's economic gateway, Basrah accounts for around 70% of the country's oil reserves and has its only deep sea port. The region has historically had a thriving agricultural sector and was once one of the world's largest producers of dates. Basrah (by air or land) is the traditional port of entry for most pilgrims to the Shia holy sites to the North. The province has the potential to develop into a hub for business travel and tourism. Understanding Basrah's importance to the overall economic health of the country, promoting foreign investment has become Provincial Council's most important economic objective. During an June 3 meeting, Zuhair Ali Akbair, General Manager for the Basrah Branch of the Central Bank, asked the REO for USG assistance in attracting foreign banks to Basrah. He emphasized the important role foreign banks could play in promoting greater security and improving good governance, adding that an influx of capital would promote both foreign and local investment toward the development of new businesses which would, in turn, create long-term employment

opportunities. Zuhair also stressed the need for foreign assistance in supporting the provinces many state-owned enterprises.

14. (U) Absent a locally-based foreign commercial service in Basrah, the BDC has taken the lead in serving as the liaison between foreign investors and the provincial government. In March, the BDC hosted its first conference, held in Kuwait, to engage with investors to discuss how the commission can help foreign companies enter the market. In mid-May, the BDC held another event in London for 54 investors interested in opportunities across sectors. The BDC is also developing the Basrah Development Fund to address weaknesses in the banking system and improve access to credit for local small and medium enterprises.

15. (U) During the past two months, the Basrah Governor Mohammed Waeli has met with selected BDC Commissioners to discuss the development of the Basrah Investment Promotion Agency (BIPA). The National Investment Law (No 13 of 2006) mandates the establishment of a National Investment Commission and regional or governorate level investment commissions with powers to grant investment licences, identify strategic investment opportunities, promote investment and give effect to and guarantee the provisions of the investment law. The BIPA has the vision that Basrah will be a destination of choice for discerning foreign and local investors, and the destination of choice in Iraq. According to the Iraq National Investment Commission, excluding matters related to oil and gas exploration and banking and insurance, no legal investment into Basrah can take place without the formation of an investment promotion agency and appointment of a suitably qualified Board. Waeli has agreed to take the appointment of the BIPA Board forward at the earliest opportunity. Once the BIPA is formed, it will be charged with attracting investment to Basrah, stimulating economic development, and implementing a procedural standard for

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trade and investment in the province. The BDC recently sent a BIPA Lead Adviser from London to Basrah to assist with the creation of a BIPA Charter, help with the BIPA's organization development, and assist in the formulation of the BIPA operational and business plan.

16. (U) The specific objectives of BIPA are to promote investment and transfer modern technologies in order to contribute to the process of developing and enhancing Basrah, and expanding and diversifying its production and service base; encourage the Iraqi and foreign private sector to invest in Basrah by providing the required facilities for establishing investment projects and enhancing Basrah's competitive advantage; help to protect the rights and property of investors; foster expansion of exports and improvement of the balance of payments and the balance of trade of Iraq; and foster development of human resources based on market demand to create work opportunities for Iraqis in Basrah.

17. (U) COMMENT: Without USG direct involvement, the British-Iraqi organized investment plan places future U.S. investment at a disadvantage. In addition to a non-existent U.S. role in the development of the provinces legal framework for foreign investment, the BDC can potentially influence uneven trade and investment restrictions on U.S. businesses and other foreign investors in the region. The aim of the BDC to promote foreign investment is salutary and important. Our only concern is that it may not cast a wide enough net to attract U.S. investors that would be equally important for southern Iraq's future. REO suggests that the U.S. Foreign Commercial Service or the REO as its proxy seek to integrate more with the BDC to make it truly a Coalition effort. No PRT U.S. coalition members are part of the team. Credit should be given where credit is due, and recognizing that this is a UK initiative supported by the UK-led PRT is important, but partnering with the U.S. and other coalition countries (Denmark, Romania, Australia) as well as other donor nations (Japan, Italy) might lead to more overall success. Failing this, perhaps a companion effort by the USG

would bear fruit, especially in some obvious areas such as oil
and gas. END COMMENT.
HOWARD